R865. Tax Commission, Auditing.
R865-15O. Oil and Gas Tax.
R865-15O-2. Stripper Well Exemption Pursuant to Utah Code Ann. Sections 59-5-101 and 59-5-102.

A. The annual stripper well exemption applies to producing oil wells and producing gas wells. The exemption cannot be applied to one product but not to another on the same well.

1. If a well is classified as an oil well and has associated gas production, the stripper classification is measured on the basis of oil production only.

2. If an oil well does not qualify as a stripper well on the basis of oil production, all production is taxable regardless of the amount of associated gas produced.

B. For purposes of applying the stripper exemption to oil wells, the twelve consecutive month period need not fall within a calendar year. For example, a well may produce above stripper production up until March of a year and then fall to stripper production beginning in April of the same year. Using April 1 as the beginning measuring point for average daily production, the well may qualify as a stripper from April 1 of the first year to March 31 of the following year. This means that for the first year, January through March production would be subject to the tax, and the next nine months of production would be exempt. The remaining three months of the exempt period falls within the second year.

C. The average daily production, for purposes of determining if an oil well is a stripper well, is based on the maximum rate of flow for the days the well actually produces. Days for which the well is shut in, or not otherwise producing, may not be included in determining the average daily production.

D. The average daily production, for purposes of determining if a gas well is a stripper well, shall be based on the maximum efficient rate of flow for the days the well actually produces. Days for which the well is shut in, or not otherwise producing, may not be included in determining average daily production.

1. If a gas well qualifies as a stripper well, the exemption begins on the first day of the 90-day measuring period and continues for the next 12 months. The annual exemption applies regardless of daily production following the 90-day measuring period.

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